

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Tri-County Community School District in Thornburg, Iowa.

The District's revenues totaled \$3,809,875 for the year ended June 30, 2008, an increase of less than 1 percent from the prior year. Revenues included \$1,508,145 in local tax, charges for service of \$375,916, operating grants, contributions and restricted interest of \$570,246, unrestricted state grants of \$1,324,380, unrestricted interest of \$22,352 and other revenues of \$8,836.

Expenses for District operations totaled \$3,956,733, an increase of 15.14 percent from the prior year. Expenses included \$1,356,583 in regular instruction, \$502,696 in special instruction and \$380,989 in administration service.

A copy of the audit report is available for review in the District Secretary's office, the office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

Tri-County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Kelly Tish	President	2008
Gary Bates	Vice President	2009
Lisa Sieren	Board Member	2009
Mark McCullough	Board Member	2008
Justin Leer	Board Member	2007

Board of Education

(After September 2007 Election)

Kelly Tish	President	2008
Justin Leer	Vice President	2010
Lisa Sieren	Board Member	2009
Mark McCullough	Board Member	2008
Gary Bates	Board Member	2009

School Officials

Bill Cox	Superintendent	2008
Rebecca Schmidt	District Secretary	2008
Joanne Bair	District Treasurer	2008
Richard Gaumer	District Attorney	2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Tri-County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District, Thornburg, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2009 on our consideration of Tri-County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tri-County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tri-County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,920,056 in fiscal year 2007 to \$2,946,537 in fiscal year 2008, while General Fund expenditures increased from \$2,918,533 in fiscal 2007 to \$3,155,034 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$809,356 in fiscal 2007 to \$600,859 in fiscal 2008.
- Overall, the District net assets in the governmental activities decreased by \$151,711, and the business-type activities increased by \$4,853, respectively.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tri-County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Tri-County Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Tri-County Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Tri-County Community School District Annual Financial Report

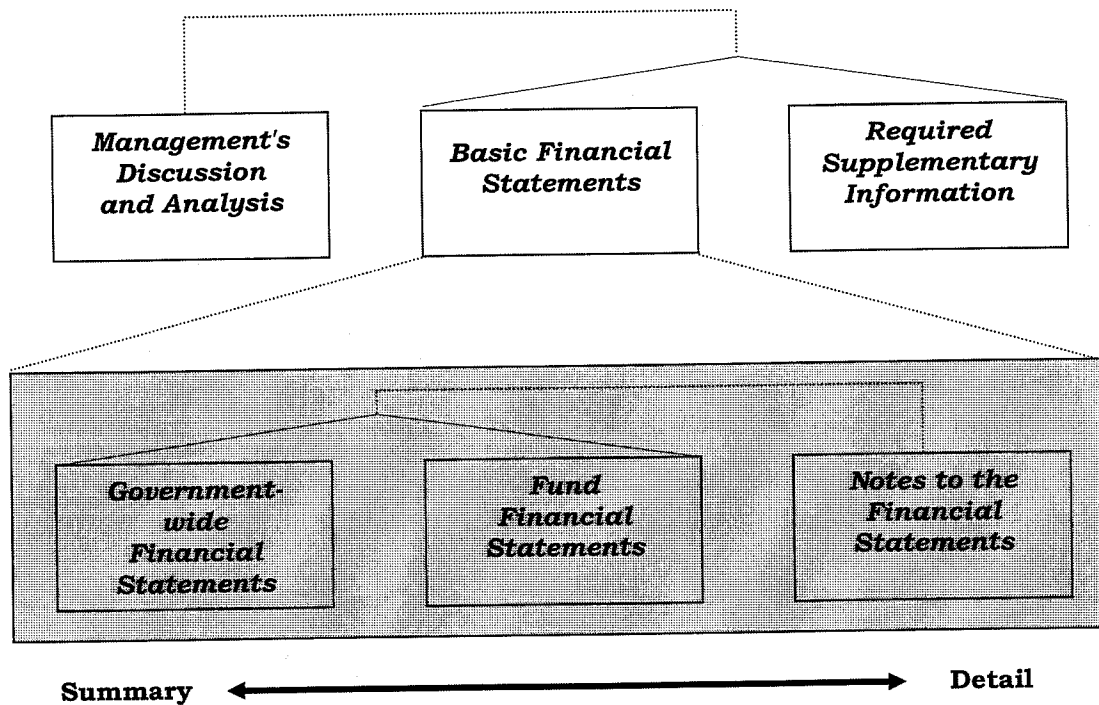


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Child Care Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 2,484,705	2,568,094	16,555	6,657	2,501,260	2,574,751	-2.85%
Capital assets	1,263,917	1,444,192	40,158	44,837	1,304,075	1,489,029	-12.42%
Total assets	3,748,622	4,012,286	56,713	51,494	3,805,335	4,063,780	-6.36%
Long-term obligations	1,320,590	1,481,277	0	0	1,320,590	1,481,277	-10.85%
Other liabilities	1,213,621	1,164,887	1,810	1,444	1,215,431	1,166,331	4.21%
Total liabilities	2,534,211	2,646,164	1,810	1,444	2,536,021	2,647,608	-4.21%
Net assets:							
Invested in capital assets, net of related debt	(36,083)	4,192	40,158	44,837	4,075	49,029	-91.69%
Restricted	550,202	468,115	0	0	550,202	468,115	17.54%
Unrestricted	700,292	893,815	14,745	5,213	715,037	899,028	-20.47%
Total net assets	\$ 1,214,411	1,366,122	54,903	50,050	1,269,314	1,416,172	-10.37%

The District's combined net assets decreased by 10.37% over the prior year. The District's net assets, which are invested in capital assets (e.g., land, buildings and equipment), less the related debt, decreased by 91.69%. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 17.54% over the prior year. The increase was primarily a result of the increase in the Physical Plant and Equipment fund balance.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased by 20.47% over the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 303,650	307,160	72,266	73,680	375,916	380,840	-1.29%
Operating grants and contributions and restricted interest	483,618	434,494	86,628	77,548	570,246	512,042	11.37%
General revenues:							
Local tax	1,308,715	1,350,876	0	0	1,308,715	1,350,876	-3.12%
Local option sales and service tax	199,430	207,625	0	0	199,430	207,625	0.00%
Unrestricted state grants	1,324,380	1,272,011	0	0	1,324,380	1,272,011	4.12%
Other	31,145	56,813	43	27	31,188	56,840	-45.13%
Transfers	0	(43,448)	0	43,448	0	0	0.00%
Total revenues	3,650,938	3,585,531	158,937	194,703	3,809,875	3,780,234	0.78%
Program expenses:							
Governmental activities:							
Instruction	2,227,543	2,128,078	0	0	2,227,543	2,128,078	4.67%
Support services	1,075,565	828,779	0	0	1,075,565	828,779	29.78%
Non-instructional programs	7,608	19,554	154,084	157,061	161,692	176,615	-8.45%
Other expenses	491,933	302,923	0	0	491,933	302,923	62.40%
Total expenses	3,802,649	3,279,334	154,084	157,061	3,956,733	3,436,395	15.14%
Change in net assets	(151,711)	306,197	4,853	37,642	(146,858)	343,839	-142.71%
Net assets beginning of year	1,366,122	1,059,925	50,050	12,408	1,416,172	1,072,333	32.06%
Net assets end of year	\$ 1,214,411	1,366,122	54,903	50,050	1,269,314	1,416,172	-10.37%

In fiscal 2008, property tax and unrestricted state grants account for 72.1% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were approximately \$3.8 million of which \$3.65 million was for governmental activities and \$.15 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of less than 1% in revenues and an increase of 15.14% in expenses. The increase in expenses was related to an increase in support service costs during the year.

Governmental Activities

Revenues for governmental activities were \$3,650,938 and expenses were \$3,802,649.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,227,543	2,128,078	4.67%	1,554,934	1,497,293	3.85%
Support services	1,075,565	828,779	29.78%	1,075,565	828,779	29.78%
Non-instructional	7,608	19,554	-61.09%	7,608	19,554	-61.09%
Other expenses	491,933	302,923	62.40%	377,274	192,054	96.44%
Totals	<u>\$ 3,802,649</u>	<u>3,279,334</u>	<u>15.96%</u>	<u>3,015,381</u>	<u>2,537,680</u>	<u>18.82%</u>

- The cost financed by users of the District's programs was \$303,650.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$483,618.
- The net cost of governmental activities was financed with \$1,308,715 in property tax, \$199,430 in local option sales and services tax, \$1,324,380 in unrestricted state grants and \$22,309 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$158,937 and expenses were \$154,084. The District's business-type activities include the School Nutrition Fund and Child Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Tri-County Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,108,639, compared to last year's ending fund balances of \$1,269,319.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Increase in state grants during the year, resulted in an increase in revenues. The increase in revenues wasn't enough to offset the increase in expenditures to allow the fund balance to increase.
- With decreasing revenues in the Capital Projects fund, the fund balance decreased from \$205,261 to an ending balance of \$155,943.

Proprietary Funds Highlights

The School Nutrition Fund net assets increased from \$49,253 at June 30, 2007 to \$53,339 at June 30, 2008, representing an increase of 8.3%. The Child Care Fund net assets increased from a balance of \$797 to a balance of \$1,564.

BUDGETARY HIGHLIGHTS

The District's revenues were \$146,169 less than budgeted revenues, a variance of 3.72%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$205,208.

The original cost of the District's capital assets was \$4,315,563. Governmental funds account for \$4,242,181 with the remainder of \$73,382 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$964,171 at June 30, 2007 compared to \$831,766 at June 30, 2008. This decrease is due to the depreciation expense the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30, 2008		June 30, 2007		June 30, 2008		June 30, 2007-08
Land	\$ 23,205	23,205	0	0	23,205	23,205	0.00%
Buildings	831,766	964,171	0	0	831,766	964,171	-13.73%
Improvements other than buildings	51,532	55,870	0	0	51,532	55,870	-7.76%
Machinery and equipment	357,414	400,946	40,158	44,837	397,572	445,783	-10.81%
Total	\$ 1,263,917	1,444,192	40,158	44,837	1,304,075	1,489,029	-12.42%

Long-Term Debt

At June 30, 2008, the District had \$1,320,590 in general obligation and other long-term debt outstanding. This represents a decrease of 10.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonded indebtedness payable of \$1,300,000 at June 30, 2008.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$14,100, which is a decrease of 60.7% from the prior year.

The District also had compensated absences of \$6,490 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 1,300,000	1,440,000	-9.7%
Early retirement	14,100	35,899	-60.7%
Compensated absences	6,490	5,378	20.7%
Totals	<u>\$ 1,320,590</u>	<u>1,481,277</u>	<u>-10.8%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The voters of the District passed the Local Option Sales and Services in 2004. This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings, purchasing equipment and debt repayment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beckie Schmidt, District Secretary and Business Manager, Tri-County Community School District, 3003 Hwy. 22, P.O. Box 17, Thornburg, Iowa, 50255.

BASIC FINANCIAL STATEMENTS

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 901,559	11,266	912,825
Receivables:			
Property tax:			
Delinquent	23,849	0	23,849
Succeeding year	1,209,718	0	1,209,718
Income surtax	166,098	0	166,098
Due from other governments	183,481	0	183,481
Inventories	0	5,289	5,289
Capital assets, net of accumulated depreciation (Note 4)	1,263,917	40,158	1,304,075
Total Assets	3,748,622	56,713	3,805,335
Liabilities			
Accounts payable	250	0	250
Accrued interest payable	3,653	0	3,653
Deferred revenue:			
Succeeding year property tax	1,209,718	0	1,209,718
Unearned revenues	0	1,810	1,810
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds payable	145,000	0	145,000
Early retirement payable	6,300	0	6,300
Compensated absences payable	6,490	0	6,490
Portion due after one year:			
General obligation bonds payable	1,155,000	0	1,155,000
Early retirement payable	7,800	0	7,800
Total Liabilities	2,534,211	1,810	2,536,021
Net Assets			
Invested in capital assets, net of related debt	(36,083)	40,158	4,075
Restricted for:			
Talented and gifted	4,776	0	4,776
Additional teacher contract day	1,974	0	1,974
Market factor	5,479	0	5,479
Capital projects	155,943	0	155,943
Debt service	20,180	0	20,180
Management levy	89,227	0	89,227
Physical plant and equipment levy	185,817	0	185,817
Other special revenue purposes	86,806	0	86,806
Unrestricted	700,292	14,745	715,037
Total Net Assets	\$ 1,214,411	54,903	1,269,314

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,356,583	95,780	350,588	(910,215)	0	(910,215)
Special instruction	502,696	3,692	18,371	(480,633)	0	(480,633)
Other instruction	368,264	204,178	0	(164,086)	0	(164,086)
	<u>2,227,543</u>	<u>303,650</u>	<u>368,959</u>	<u>(1,554,934)</u>	<u>0</u>	<u>(1,554,934)</u>
Support services:						
Student services	18,750	0	0	(18,750)	0	(18,750)
Instructional staff services	57,315	0	0	(57,315)	0	(57,315)
Administration services	380,989	0	0	(380,989)	0	(380,989)
Operation and maintenance of plant services	372,836	0	0	(372,836)	0	(372,836)
Transportation services	245,675	0	0	(245,675)	0	(245,675)
	<u>1,075,565</u>	<u>0</u>	<u>0</u>	<u>(1,075,565)</u>	<u>0</u>	<u>(1,075,565)</u>
Non-instructional programs:						
Community service operations	7,608	0	0	(7,608)	0	(7,608)
Other expenditures:						
Facilities acquisitions	190,462	0	0	(190,462)	0	(190,462)
Long-term debt interest	50,069	0	0	(50,069)	0	(50,069)
AEA flowthrough	114,659	0	114,659	0	0	0
Depreciation(unallocated)*	136,743	0	0	(136,743)	0	(136,743)
	<u>491,933</u>	<u>0</u>	<u>114,659</u>	<u>(377,274)</u>	<u>0</u>	<u>(377,274)</u>
Total governmental activities	3,802,649	303,650	483,618	(3,015,381)	0	(3,015,381)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	150,550	67,965	86,628	0	4,043	4,043
Child care	3,534	4,301	0	0	767	767
Total business-type activities	<u>154,084</u>	<u>72,266</u>	<u>86,628</u>	<u>0</u>	<u>4,810</u>	<u>4,810</u>
Total	<u>\$ 3,956,733</u>	<u>375,916</u>	<u>570,246</u>	<u>(3,015,381)</u>	<u>4,810</u>	<u>(3,010,571)</u>
General Revenues and Transfers:						
General Revenues:						
Local tax for:						
General purposes				\$ 1,136,815	0	1,136,815
Capital outlay				82,029	0	82,029
Debt service				89,871	0	89,871
Local option sales and services tax				199,430	0	199,430
Unrestricted state grants				1,324,380	0	1,324,380
Unrestricted investment earnings				22,309	43	22,352
Other				8,836	0	8,836
Total general revenues and transfers				<u>2,863,670</u>	<u>43</u>	<u>2,863,713</u>
Changes in net assets				(151,711)	4,853	(146,858)
Net assets beginning of year				<u>1,366,122</u>	<u>50,050</u>	<u>1,416,172</u>
Net assets end of year				<u>\$ 1,214,411</u>	<u>54,903</u>	<u>1,269,314</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>Special Revenue Funds</u>					
	General	Capital Projects	Student Activity	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
Assets						
Cash and pooled investments	\$ 499,251	56,042	87,056	140,731	118,479	901,559
Receivables:						
Property tax						
Delinquent	18,028	0	0	793	5,028	23,849
Succeeding year	918,145	0	0	42,340	249,233	1,209,718
Income surtax	121,805	0	0	44,293	0	166,098
Due from other governments	83,580	99,901	0	0	0	183,481
Total Assets	\$ 1,640,809	155,943	87,056	228,157	372,740	2,484,705
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 0	0	250	0	0	250
Deferred revenue:						
Succeeding year property tax	918,145	0	0	42,340	249,233	1,209,718
Income surtax	121,805	0	0	44,293	0	166,098
Total liabilities	1,039,950	0	250	86,633	249,233	1,376,066
Fund balances:						
Reserved for:						
Talented and gifted	4,776	0	0	0	0	4,776
Additional teacher contract day	1,974	0	0	0	0	1,974
Market factor	5,479	0	0	0	0	5,479
Debt service	0	0	0	0	20,180	20,180
Designated for cash flow	350,000	0	0	0	0	350,000
Unreserved	238,630	155,943	86,806	141,524	103,327	726,230
Total fund balances	600,859	155,943	86,806	141,524	123,507	1,108,639
Total Liabilities and Fund Balances	\$ 1,640,809	155,943	87,056	228,157	372,740	2,484,705

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 1,108,639
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	1,263,917
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	166,098
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,653)
Long-term liabilities, including general obligation bonds payable, compensated absences and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,320,590)</u>
Net assets of governmental activites (page 13)	<u>\$ 1,214,411</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					
	General	Capital Projects	Student Activity	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 960,373	199,431	0	82,029	238,249	1,480,082
Tuition	99,472	0	0	0	0	99,472
Other	83,458	0	142,725	527	8,613	235,323
State sources	1,680,352	4,764	0	0	0	1,685,116
Federal sources	122,882	0	0	0	0	122,882
Total revenues	2,946,537	204,195	142,725	82,556	246,862	3,622,875
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	1,354,098	0	0	817	23,467	1,378,382
Special instruction	489,216	0	0	0	0	489,216
Other instruction	226,767	0	141,497	0	0	368,264
	2,070,081	0	141,497	817	23,467	2,235,862
Support services:						
Student services	18,750	0	0	0	0	18,750
Instructional staff services	57,315	0	0	0	0	57,315
Administration services	383,751	0	0	0	0	383,751
Operation and maintenance of plant services	283,062	0	0	0	81,715	364,777
Transportation services	219,808	0	0	0	0	219,808
	962,686	0	0	0	81,715	1,044,401
Non-instruction:						
Community service operations	7,608	0	0	0	0	7,608
Other expenditures:						
Facilities acquisitions	0	153,513	0	36,949	0	190,462
Long-term debt:						
Principal	0	0	0	0	140,000	140,000
Interest and fiscal charges	0	0	0	0	50,563	50,563
AEA flowthrough	114,659	0	0	0	0	114,659
	114,659	153,513	0	36,949	190,563	495,684
Total expenditures	3,155,034	153,513	141,497	37,766	295,745	3,783,555
Excess(deficiency) of revenues over(under) expenditures	(208,497)	50,682	1,228	44,790	(48,883)	(160,680)
Other financing sources(uses):						
Transfer in	0	0	0	0	100,000	100,000
Transfer out	0	(100,000)	0	0	0	(100,000)
Total other financing sources(uses)	0	(100,000)	0	0	100,000	0
Net change in fund balances	(208,497)	(49,318)	1,228	44,790	51,117	(160,680)
Fund balance beginning of year	809,356	205,261	85,578	96,734	72,390	1,269,319
Fund balance end of year	\$ 600,859	155,943	86,806	141,524	123,507	1,108,639

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (160,680)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of current depreciation and capital outlay expenditures in the current year, are as follows:

Capital outlays	\$ 20,255	
Depreciation expense	<u>(200,530)</u>	(180,275)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	28,063
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ 21,799	
Compensated absences	<u>(1,112)</u>	20,687

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	140,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Changes in net assets of governmental activities (page 14)	<u><u>\$ (151,711)</u></u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	School Nutrition	Child Care	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 9,702	1,564	11,266
Inventories	5,289	0	5,289
Capital assets, net of accumulated depreciation(Note 4)	40,158	0	40,158
Total Assets	<u>55,149</u>	<u>1,564</u>	<u>56,713</u>
Liabilities			
Unearned revenue	1,810	0	1,810
Net Assets			
Invested in capital assets	40,158	0	40,158
Unrestricted	13,181	1,564	14,745
Total Net Assets	<u>\$ 53,339</u>	<u>1,564</u>	<u>54,903</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	Child Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 67,965	4,301	72,266
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	58,030	2,593	60,623
Benefits	13,831	879	14,710
Services	3,279	0	3,279
Supplies	70,731	62	70,793
Depreciation	4,679	0	4,679
TOTAL OPERATING EXPENSES	150,550	3,534	154,084
OPERATING INCOME (LOSS)	(82,585)	767	(81,818)
NON-OPERATING REVENUES:			
State sources	1,902	0	1,902
Federal sources	84,726	0	84,726
Interest income	43	0	43
TOTAL NON-OPERATING REVENUES	86,671	0	86,671
Changes in net assets	4,086	767	4,853
Net assets beginning of year	49,253	797	50,050
Net assets end of year	\$ 53,339	1,564	54,903

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	Child Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 68,331	0	68,331
Cash received from miscellaneous operating activities	0	4,301	4,301
Cash payments to employees for services	(71,861)	(3,472)	(75,333)
Cash payments to suppliers for goods or services	(64,144)	(62)	(64,206)
Net cash provided by(used in) operating activities	(67,674)	767	(66,907)
Cash flows from non-capital financing activities:			
State grants received	1,902	0	1,902
Federal grants received	72,879	0	72,879
Net cash provided by non-capital financing activities	74,781	0	74,781
Cash flows from investing activities:			
Interest on investment	43	0	43
Net increase in cash and cash equivalents	7,150	767	7,917
Cash and cash equivalents at beginning of year	2,552	797	3,349
Cash and cash equivalents at end of year	\$ 9,702	1,564	11,266
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (82,585)	767	(81,818)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	11,847	0	11,847
Depreciation	4,679	0	4,679
Increase in inventories	(1,981)	0	(1,981)
Increase in unearned revenue	366	0	366
Net cash provided by(used in) operating activities	\$ (67,674)	767	(66,907)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and investments	\$ 9,702	1,564	11,266

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$11,847.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 1,081</u>
Liabilities	
Due to other groups	<u>\$ 1,081</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Tri-County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Keswick, Gibson, Thornburg and What Cheer, Iowa, and the predominate agricultural territory in Iowa, Keokuk, Mahaska and Poweshiek County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Tri-County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Tri-County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Iowa, Keokuk, Mahaska and Poweshiek County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Special Revenue - Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

The Special Revenue - Student Activity Fund is utilized to account for cocurricular and extracurricular activities and student-run organizations.

The District reports the following major proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Child Care Fund. The Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for child care services.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the

District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	20 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and

regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

Type	Amortized Cost
Diversified portfolio	\$ 443,349

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital projects	\$ 100,000
		\$ 100,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 73,382	0	0	73,382
Less accumulated depreciation	28,545	4,679	0	33,224
Business-type activities capital assets, net	\$ 44,837	(4,679)	0	40,158

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 23,205	0	0	23,205
Total capital assets not being depreciated	23,205	0	0	23,205

Capital assets being depreciated:				
Buildings	3,088,098	0	0	3,088,098
Land improvements	192,744	0	0	192,744
Machinery and equipment	917,879	20,255	0	938,134
Total capital assets being depreciated	4,198,721	20,255	0	4,218,976

Less accumulated depreciation for:				
Buildings	2,123,927	132,405	0	2,256,332
Land improvements	136,874	4,338	0	141,212
Machinery and equipment	516,933	63,787	0	580,720
Total accumulated depreciation	2,777,734	200,530	0	2,978,264

Total capital assets being depreciated, net	1,420,987	(180,275)	0	1,240,712
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Governmental activities capital assets, net	\$ 1,444,192	(180,275)	0	1,263,917
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Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular instruction \$ 13,480

Support services:

Administration 3,987

Operation and maintenance of plant 7,798

Transportation 38,522

63,787

Unallocated depreciation 136,743

Total governmental activities depreciation expense \$ 200,530

Business-type activities:

Food services \$ 4,679

(5) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,440,000	0	140,000	1,300,000	145,000
Early retirement	35,899	0	21,799	14,100	6,300
Compensated absences	5,378	6,490	5,378	6,490	6,490
Total	\$ 1,481,277	6,490	167,177	1,320,590	157,790

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are based on 100% of the difference between the BA Step 0 and the employee's position on the salary scale as of the start of the following school year. In addition, if the employee has more than 25 consecutive years, they will be entitled to an additional \$1,500 for five years. Early retirement benefits paid during the year ended June 30, 2008, totaled \$21,799. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2003			
	Interest Rates	Principal	Interest	Total
2009	2.65	145,000	43,834	188,834
2010	3.00	150,000	39,990	189,990
2011	3.20	155,000	35,490	190,490
2012	3.30	155,000	30,530	185,530
2013	3.40	165,000	25,415	190,415
2014	3.60	170,000	19,805	189,805
2015	3.75	175,000	13,685	188,685
2016	3.85	185,000	7,122	192,122
Subtotal		\$ 1,300,000	215,871	1,515,871

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$120,529, \$100,399 and \$96,702 respectively, equal to the required contributions for each year.

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$114,659 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,814,877	72,309	1,887,186	2,287,210	2,287,210	(400,024)
State sources	1,685,116	1,902	1,687,018	1,465,769	1,465,769	221,249
Federal sources	122,882	84,726	207,608	175,000	175,000	32,608
Total revenues	3,622,875	158,937	3,781,812	3,927,979	3,927,979	(146,167)
Expenditures:						
Instruction	2,235,862	0	2,235,862	2,868,733	2,868,733	632,871
Support services	1,044,401	0	1,044,401	1,211,213	1,211,213	166,812
Non-instructional programs	7,608	154,084	161,692	204,608	204,608	42,916
Other expenditures	495,684	0	495,684	696,177	696,177	200,493
Total expenditures	3,783,555	154,084	3,937,639	4,980,731	4,980,731	1,043,092
Excess(deficiency) of revenues over(under) expenditures	(160,680)	4,853	(155,827)	(1,052,752)	(1,052,752)	896,925
Balance beginning of year	1,269,319	50,050	1,319,369	1,052,752	1,052,752	266,617
Balance end of year	\$ 1,108,639	54,903	1,163,542	0	0	1,163,542

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue		Total
	Fund		Other
	Manage-	Debt	Nonmajor
	ment		Governmental
	Levy	Service	Funds
Assets			
Cash and pooled investments	\$ 100,187	18,292	118,479
Receivables:			
Property tax:			
Current year delinquent	3,140	1,888	5,028
Succeeding year	160,000	89,233	249,233
Total Assets	\$ 263,327	109,413	372,740
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 160,000	89,233	249,233
Fund balances:			
Reserved:			
Debt service	0	20,180	20,180
Unreserved	103,327	0	103,327
Total fund balances	103,327	20,180	123,507
Total Liabilities and Fund Balances	\$ 263,327	109,413	372,740

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue		Total
	Funds		Other
	Manage-	Debt	Nonmajor
	ment		Governmental
	Levy	Service	Funds
REVENUES:			
Local sources:			
Local tax	\$ 148,377	89,872	238,249
Other	8,427	186	8,613
TOTAL REVENUES	156,804	90,058	246,862
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	23,467	0	23,467
Support services:			
Operation and maintenance			
of plant services	81,715	0	81,715
Other expenditures:			
Long-term debt:			
Principal	0	140,000	140,000
Interest	0	50,563	50,563
TOTAL EXPENDITURES	105,182	190,563	295,745
Excess(deficiency) of revenues			
over(under) expenditures	51,622	(100,505)	(48,883)
OTHER FINANCING SOURCES:			
Transfer in	0	100,000	100,000
Net change in fund balances	51,622	(505)	51,117
FUND BALANCES BEGINNING OF YEAR	51,705	20,685	72,390
FUND BALANCES END OF YEAR	\$ 103,327	20,180	123,507

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,546	1,429	669	2,306
Inst/vocal trip	5,067	1,441	1,680	4,828
High school vocal fund	70	3,447	3,167	350
Future business leaders of America	173	431	0	604
Welcome baby	107	431	0	538
Athletic resale	1,043	697	1,772	(32)
Athletic non resale	6,517	22,250	30,095	(1,328)
Athletic gate receipts	518	9,570	6,191	3,897
P.C. fund	3,995	2,260	5,694	561
Cross country	0	90	90	0
Wrestling	198	0	0	198
Student interest	14,649	1,180	14,674	1,155
Student petty cash	25	0	0	25
Miscellaneous student resale	299	1,081	644	736
Home ec resale	217	431	6	642
Character counts	121	431	0	552
Student council	1,491	1,739	1,080	2,150
TAG	371	436	0	807
Cheerleading	948	4,051	2,522	2,477
Dance squad	(62)	3,755	2,165	1,528
National honor society	269	3,052	1,860	1,461
Spanish club	1,137	431	0	1,568
Padlock resale	656	0	656	0
Athletics candy fundraiser	6,983	3,518	1,783	8,718
JH miscellaneous	1,513	431	201	1,743
Annual 2006-07	2,156	2,130	5	4,281
Class of 2008	1,819	17,969	19,097	691
Class of 2009	2,548	4,826	3,771	3,603
Class of 2010	447	2,190	0	2,637
Class of 2011	414	900	613	701
Trojan annual	25	7,251	5,607	1,669
FFA	12,138	14,830	16,306	10,662
Horticulture	2,065	2,862	580	4,347
Instrument resale	1,075	964	316	1,723
Vo Ag resale	12	780	148	644
Shop glasses	168	541	0	709
Elementary wrestling	2,715	4,585	3,419	3,881
Elementary fund raisers	10,986	20,315	15,527	15,774
Elementary library books	1,159	0	1,159	0
Total	\$ 85,578	142,725	141,497	86,806

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2008

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Assets:				
Cash and other investments	\$ 2,677	5	1,601	1,081
Liabilities:				
Due to other groups	\$ 2,677	5	1,601	1,081

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax		\$ 1,480,082	1,558,501	1,505,041	1,500,142	1,301,036
Tuition		99,472	71,744	97,048	83,664	82,026
Other		235,323	292,229	271,836	237,375	374,256
State sources		1,685,116	1,579,975	1,602,663	1,464,820	1,389,719
Federal sources		122,882	126,530	133,778	106,165	146,322
Total		<u>\$ 3,622,875</u>	<u>3,628,979</u>	<u>3,610,366</u>	<u>3,392,166</u>	<u>3,293,359</u>
Expenditures:						
Instruction:						
Regular instruction		\$ 1,378,382	1,273,126	1,159,799	1,263,162	1,187,384
Special instruction		489,216	485,136	491,618	411,429	466,193
Other instruction		368,264	378,135	340,554	392,457	366,542
Support services:						
Student services		18,750	31,031	57,696	55,533	53,985
Instructional staff services		57,315	62,312	65,420	25,097	21,535
Administration services		383,751	323,994	335,427	380,622	364,691
Operation and maintenance of plant services		364,777	330,843	316,066	294,170	271,571
Transportation services		219,808	272,527	200,568	228,497	211,904
Non-instructional programs		7,608	19,554	20,641	32,054	23,742
Other expenditures:						
Facilities acquisition		190,462	157,535	92,957	54,543	56,246
Long-term debt:						
Principal		140,000	135,000	130,000	125,000	130,000
Interest		50,563	55,743	59,867	65,268	61,134
AEA flowthrough		114,659	110,869	106,737	106,686	108,892
Total		<u>\$ 3,783,555</u>	<u>3,635,805</u>	<u>3,377,350</u>	<u>3,434,518</u>	<u>3,323,819</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Tri-County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 9, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tri-County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Tri-County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tri-County Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Tri-County Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Tri-County Community School District's financial statements that is more than inconsequential will not be prevented or detected by Tri-County Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Tri-County Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-08 and I-E-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Tri-County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Tri-County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tri-County Community School District and other parties to whom Tri-County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Tri-County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 9, 2009

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will review its procedures.

Conclusion - Response accepted.

- I-B-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District should track the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with wage requirements.

Response - The AD will require all non-certified coaches to keep time sheets.

Conclusion - Response accepted.

- I-C-08 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation. We also noted during our audit that in some instances there were no detailed receipts for individuals seeking reimbursements for meals.

Recommendation - The District has a policy in place for credit card usage, which states that the users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements. The District must maintain supporting documentation for reimbursement or no reimbursement should be made to individuals. The District should review procedures in place to ensure the proper detailed documentation will be available with reimbursements to individuals.

Response - The District will require a detailed receipt for all credit card purchases.

Conclusion - Response accepted.

I-D-08 Student Activity Fund - During our audit issues arose about the properness of certain receipts/expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. More specific examples of these instances of questioned items and recommendations are as follows:

There was a student interest account that had a balance remaining at the end of the year. The interest collected during the year should be allocated out to other student activity accounts. The balance remaining at the end of the current year should be allocated out to other activity accounts or an action plan needs to be put in place on how the District plans to spend this balance within the Student Activity Fund.

There was a balance remaining at the end of the year in the shop glasses account. This account would appear to be more appropriately run through the General Fund. A transfer should be made to move this balance to the General Fund where the monies can be receipted and expended.

Donations made to the District should be placed in the most appropriate place based upon donor request. Box Tops for Education donations are to schools for instructional materials and supplies. The most logical place to record the revenue and subsequent purchase would be to the General Fund. The District should record future donations from Box Tops for Education in the General Fund.

Response - We will watch and track the activity account more closely.

Conclusion - Response accepted.

I-E-08 Sponsor Procedures - We noted during our audit that sponsors are not turning in collected receipts to the administration office for deposit in a timely manner. The breakdown of control procedures for the receipting process becomes apparent as the sponsor maintains the collected revenue. The holding of the undeposited funds by the sponsors provides a risk of loss due to possible theft, improper use or loss, as well as lack of reporting of the funds. The District is required to maintain records for the student activity fund.

Recommendation - The possible impropriety of revenues and expenditures is undeterminable without records to document the transactions of posting of receipts and expenditures. The district should take necessary steps to require all individuals to turn in collected money.

Response - We will require the sponsors to receipt and turn in money daily.

Conclusion - Response accepted.

- I-F-08 Pre-numbered Receipts - We noted during our audit that the District uses receipts, however the receipts used in the Activity and Nutrition Funds are not pre-numbered.

Recommendation - Better internal controls are achieved if the District uses pre-numbered receipts, and reconciles the receipts to deposits and revenues posted when performing bank reconciliations. The District should review their procedures to ensure that internal control processes are being utilized. We also recommend that the District utilize three part pre-numbered receipt books.

Response - We have ordered pre-numbered receipts for all accounts.

Conclusion - Response accepted.

- I-G-08 Physical Plant and Equipment Levy (PPEL) and Local Option Sales and Service Tax (LOSST) Expenditures - We noted that the District is currently making purchases from Special Revenue, Physical Plant and Equipment Levy(PPEL) Fund which do not appear to be in compliance with Chapter 298.3 of the Code of Iowa. The District purchased a refrigerator, a printer, and weld on a utility tractor which were below the single unit price of \$500.

According to the District's revenue purpose statement, Local Option Sales and Service Tax money can be spent for PPEL type expenditures, thus falling within the same \$500 per unit of equipment restriction. From the Capital Projects Fund, we noted purchases for forklift forks, fuel, paint, charcoal mats, an air conditioner, office and maintenance supplies, and various repairs. These expenditures, which are less than \$500 per single unit, are inappropriate from the Capital Projects Fund.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with Chapter 298.3 of the Code of Iowa. The District should review revenue purpose statements in regards to the use of Local Option Sales and Service Tax money.

The District should make a corrective transfer of \$1,244.50 from the General Fund to the PPEL Fund.

The District should make a corrective transfer of \$10,549 from the General Fund to the Capital Projects Fund.

Response - We will track these funds more closely to ensure proper procedures are followed.

Conclusion - Response accepted.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will publish the minutes in a timely manner in the future.

Conclusion - Response accepted.

- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.